App. F. IX-4

Previous References

1936.
(97)

File No. 112-36.
Serial Nos. 1-2

Later References.

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 1100

Part B for April 1940.

SUBJECT.

Re fabrication in Govt Central Industrial Workshops.

WD 0573—GPB—22,500—12-9-39

MSpurgeon
18/7/40

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT OF MYSORE,
FINANCIAL SECTT. 22 JUL
No. Bangalore, Dated 21st July 1936
FINANCIAL BRANCH 3/4 22 JUL 1936 REV. SECTT.
SENT TO THE SECOND MEMBER OF COUNCIL 24 JULY 1936
DEWAN'S OFFICE No. 6549 25 JUL 1936
No. 207

D. O. No. 64

II—2

Sir,

Re Application of Government Moneys in the Central Industrial Workshop.

I submit herewith for the information of Government a copy of my letter of date to the Director of Industries and Commerce, together with that of its enclosure. A further report will be submitted to Government in due course after the final detailed report is received from the Director of Industries and Commerce.

1.

Yours sincerely.

Comptroller in charge.

To

S. Shamanna, Esq., B.A.,
Financial Secretary to the
Government of Mysore,
Bangalore.

SNS.

2. No. 1483/Es 9 30.4.37 from the Comptr. forwards the final report in the matter (The judgment (Copy enclosed with P.No.) fixes the responsibility partly on the Suptdt. C.D. Workshop & partly on the Accountant of the Workshop. & on the Comptr. the Auditors.

& The findings of the

NOTE—Contn. Sheet.

WD 0417—GPB—30,000—8-9-36

Defalcation in C. D. Workshop.

2

File No. 112 of 1936 | General and Revenue Secretariat

Serial No.

Complaint (1) that the Audit Staff which audited the Accts previously did not carry out their duties properly, 2) that even the Gazetted officer in charge of D.A.D has been asked to take greater interest * 3) that as a punishment Mr. Abdul Qadir's Confirmation may be postponed by ~~one~~ one Year & that (4) lastly there is nothing wrong in the system.

Points for orders are :-

1. The assessment of responsibility & its allocation among the several officers & officials.
2. Making good the loss to Govt. & the method of doing so
3. The extent of punishment to each of the officers involved.

The only point now brought up for orders is Mr. Qadir's punishment. This has now to depend on the result of the Departl Enquiry.

Finial Report on these points has been called for in the administrative

Defalcation in C. I. Workshop (J)

General and Revenue Secretariat — F. File No. 112 of 1936. — [App. F. III—2

Serial No.

Branch + is under Consideration.
(P.S. appd. This will also be transferred to Dev. Br. for Consideration & disposal alongwith the main file, in Consultation with the F.D.

Subject to orders.
(F. Secy)
8/3 WR
5/3/37

WR
5/5

5/4
5/7

This was linked to the file re write off of Bad debts in Gen. Dept. (137-36) Orders have also issued requiring the Officers and Accts of Workshops to make good the loss. The file is sent to F.D. for record. Kindly return.
11/4

A

File received today. The papers ~~will be~~ had been transferred to Dev. Br. & were not expected back. These may be deposited after perusal.

11/4/40

May be recorded with a note how the case was finally disposed of.

Initial in a hurry

11/4

12/4/40

FIN. & REV. SECRETARIAT ... FINANCIAL BRANCH

NOTE—Contn. Sheet.

WD 0417—GPB—80,000—8-9-36

CONFIDENTIAL.

OFFICE OF THE COMPTROLLER TO THE
GOVERNMENT OF MYSORE,

4

D. O. No. 59
I A D

Bangalore, dated. 21st July 1936.

Dear Sir,

In continuation of this office confidential letter No.28/I.A.D. dated 11th/13th July 1936, regarding certain discrepancies noticed in the accounts of the Central Industrial Workshop, I write to forward herewith for your information a confidential note dated 20th July 1936 by the Assistant Comptroller, I.A.D. on the irregularities noticed by him in the course of an examination of the cash accounts from January 1933 onwards, which disclose a defalcation of Government money of a net total amount of Rs.2,585-10-6. I request you to kindly take immediate further needful action in the matter as per Article 37 of the Mysore Civil Account Code, (Volume I), and furnish me with your detailed report of investigation and further action taken in the matter of the recovery of the amount at an early date.

In this connection I also request that the cash accounts of the Well Boring Section which were also dealt with by the same cashier of the Central Industrial Workshop be thoroughly examined for a similar period, and the result intimated to me. A copy of the Assistant Comptroller's note has been also submitted to Government.

Yours sincerely.

(Sd) E. V. Ganapati Iyer

Comptroller (In charge).

To
S.G. Sastry, Esq., B.A., M.Sc.,
F.C.S.,
Director of Industries & Commerce in Mysore,
Bangalore.

Copy

SNS.

D. Mahabala Rao.
Superintendent I. A. D.

Confidential

5

NOTE ON THE IRREGULARITIES NOTICED IN THE ACCOUNTS OF THE CENTRAL INDUSTRIAL WORKSHOP, BANGALORE.

I. Certain discrepancies in the record of transactions in the Cash Book of the Central Industrial Workshop for the months of August and September 1935 observed in the course of audit having been brought to my notice by the Junior Auditor on the 11th instant, an investigation of the matter was immediately taken up, (Vide this office letter No. 28/I.A.D. dated 11th/13th July 1936 to the Director of Industries and Commerce), and conducted last week, assisted also by the departmental auditor. It has disclosed the following facts:-

(1) Short and excess remittances of receipts into the Treasury resulting in a total net short remittance of Rs.1,635-10-6 to end of May 1936 as detailed in Annexure A - Statement I.

(2) Cheque No.2/87 dated 9th August 1934 for Rs.500/- drawn in favour of the Industrial Engineer, Well Boring Section and cashed at the Treasury on 10th August 1934, not brought on the cash Book.

(3) Cheques drawn for office cash and cashed at the Treasury not fully brought on the Cash Book resulting in a net total sum of Rs.450/- not accounted for as worked out in Annexure A - Statement II.

(4) Certain other irregularities, amounting to temporary misappropriation of Government money as detailed in Annexure A - Statement III.

II. (1) In regard to short remittances referred to in para I (1) above, it is seen from annexure A, that the amounts short remitted between March 1933 and September 1933 (to the extent of Rs.1,347-4-0)* are fully covered by excess remittances during the period. This also amounts to temporary misappropriation of Government money.

142-12-0
440-0-0
764-8-0

1,347-4-0
---

(2) The subsequent short remittances between September

1933

1933 and January 1936 aggregating Rs.2,035-10-6 are partly set off to an extent of Rs.400/- remitted to the Treasury on 14th December 1933, leaving a balance of Rs.1,635-10-6 to be accounted for.

3.(a) As regards the cheque for Rs.500/- drawn in favour of the Industrial.Engineer, Well Boring Section, referred to in para I (2) above, it is seen from Annexure B, that 7 cheques for Rs.500/- each aggregating Rs.3,500/- have been drawn by the C.I. Workshop during the half-year ended December 1934 ~~and encashed~~, against a deposit of Rs.3,000/- made on 2nd July 1934 by the Well Boring Section.

(b) It is also seen that the marginally noted* cheques for Rs.500/- each drawn by the Central Industrial Workshop in favour of the Industrial Engineer, Well Boring Section, have been cashed after a lapse of over a month. The need for drawing the cheques so early is not clear.

* Cheque No.70/87 d.24-9-34 cashed on 1-11-34.
Cheque No.37/90 d.26-11-34 cashed on 31-12-34.

(c) From the Well Boring Section Cash Book which was obtained for reference, it is seen that sums aggregating Rs.2,500/- have been receipted therein to end of December 1934, (Vide details in Annexure B). Further in the Well Boring Section Cash Book, a sum of Rs.500/- has been receipted on 25.3.35 as "cash received from the Superintendent, Central Industrial Workshop, being the suspense balance with him as per letter dated 25th March 1935". This reference was not available in the Central Industrial Workshop. There is also no corresponding payment entry of Rs.500/- to the Well Boring Section in Central Industrial Workshop Cash Book, on or about this date, viz., 25th March 1935. It is not therefore clear from what funds this amount was paid. It is however observed that on this very date, there is a short remittance of Rs.750/- (794/- minus 44/-) in Central Industrial Workshop. (Vide Annexure A.)

(d) Further, cheque Nos.92/81 and 70/87 for Rs.500/- each

each, cashed by the Industrial Engineer, Well Boring Section on 12th July 1934 and 1st November 1934 have been brought on his Cash Book so late as on 3rd August 1934 and 5th December 1934 respectively. Again, cheque Nos. 2/87 and 37/90 for Rs.500/- each cashed by the Industrial Engineer, Well Boring Section on 10th August 1934 and 31st December 1934 respectively have not ~~at all~~ been brought on his Cash Book.

(e) The above irregularities require investigation with reference to the accounts of the Well Boring Section. In this connection, reference is invited to audit reports on the accounts of the Well Boring Section for 1932-33 and 1933-34 detailing the confused condition of the accounts of that section.

III. Treasury Reconciliation Statements have been drawn up at end of each month in the Cash Abstract Book agreeing the Treasury Balance as per Cash Book with that shown in the Treasury Pass Book. These monthly reconciliation statements, (incorporated in the monthly Cash Account current submitted to the Comptroller by the Superintendent through the Director of Industries and Commerce), have been attested by the accountant of the Central Industrial Workshop to end of July 1935. Such Cash Accounts current have not been received since August 1935, in the Comptroller's Office.

(2) An examination of these Treasury reconciliation statements and comparison of the same with fresh reconciliation statements drawn up during the investigation (to find out the total amounts unaccounted as at end of ~~July~~ June 1934, June 1935, and May 1936), show that the amount of receipts of the month brought under 'Treasury remittances' column in the Cash Book, but actually remitted to Treasury in the subsequent month is manipulated and shown in excess exactly to the extent of amounts unaccounted

for

for to end of that month, to make the net resulting figure agree with the balance as per Treasury Pass Book, as shown in Annexure C. It is thus seen, that though there is an apparent reconciliation of the Treasury balance as per Cash Book with the balance according to Treasury Pass Book in the Treasury balance reconciliation statements drawn up every month in the Cash Abstract, the figures shown under 'Remittances made in the subsequent month' are not real and made up to cover the amounts unaccounted for.

(3) It is also seen that in the Treasury Reconciliation statement drawn up at end of June 1935, the figures originally shown against 'remittances of June taken in July' and 'uncashed cheques' ~~and reported to Comptroller~~, are overwritten subsequent to the submission of the monthly Cash Account Current ~~certifying the accounts thereby. (Vide~~ detailed in Annexure C), ~~and~~ the total amount of Rs.1,916-10-6 unaccounted for to end of 30th June 1935 (Vide items I (c) and II (a) in Annexure A) is brought under 'Remittance of June taken in July' ~~the amount~~ and shown ~~against the latter head being~~ as Rs.1,929-8-6 including Rs.12-14-0 being the correct amount of unremitted receipts, ~~as shown~~ Vide Annexure C.

(4) In the Treasury Remittance Book at end of June 1935 a Treasury chellan drawn up on 4.7.35 by the Cashier for Rs.1,929-8-6 as on account of cheque No.D.274925 dated (date not mentioned) on the Bank of Mysore, is filed. The receipt of such a cheque is not borne out by either a cash receipt (counterfoil) or a receipt entry in the Cash book. The Treasury acknowledgment portion of another chellan for Rs.94-5-9 (cheques) remitted to the Treasury on the same date has been cut out from the latter and pasted to the former. The Treasury has not entered the amount of cheques received either in words or in figures in the receipt portion. (Such an omission is noticed ~~also~~ in some other challans for remittances by cheques). When the Cashier was questioned about this bogus Treasury Receipted chellan before the Superintendent of the Central Industrial

Workshop

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Workshop and the Commercial ~~Auditor~~ Accountant of the Department, he stated that it was done to cover the amount of Rs.1,929-8-6 shown as 'remittances of June 1935 taken in July 1935' and reconcile the account, and has given a written statement dated 15th July 1936 to this effect to the Superintendent.

Assistant Comptroller.
9.A.8.

ANNEXURE "A"

C.I.W.Accts.

I - Short remittances of receipts

Receipt Nos.	Amount as per cash book.	Amount remitted to Treasury — Date	Amount remitted to Treasury — Amount	Short remittance. —	Excess remittance +	Remarks
77-89	165-13- 0	28-3-33	23- 1- 0	142-12-0		
90-99	5,952- 8- 4	29-3-33	6,003- 0- 4		50- 8- 0	
100, and 121	805- 2- 6	6-4-33	897- 6- 6		92- 4- 0	
				142-12- 0	142-12- 0	Bal.Nil
26-45	641- 8- 0	17-4-33	391- 8- 0	250- 0-0		
46-63	1,176- 7- 3	24-4-33	986- 7- 3	190- 0-0		
91 dt 4-5-33	5- 0- 0	8-5-33	245- 0- 0		240- 0- 0	
95 dt 8-5-33	50- 0- 0	12-5-33	250- 0- 0		200- 0- 0	
				440- 0-0	440- 0- 0	Bal.Nil
14 dt 16-5-33	15- 6- 0	17-5-33	0- 6- 0	15- 0-0		
18-29	2,050-12- 9	19-5-33	1965- 12- 9	85- 0-0		
28-43	1,118- 5-11	25-5-33	1068- 5-11	50- 0-0		
45-53	488- 5- 5	31-5-33	409- 0- 5	79- 4- 0		
68-82	1,934- 9- 1	14-6-33	1899- 9- 1	35- 0-0		
83-91	251- 1- 5	16-6-33	420- 9- 5	-	169- 8- 0	
92-103	631- 0- 1	21-6-33	568- 12- 1	62- 4-0		
104-120	2,103- 1-10	27-6-33	2073- 1-10	30- 0-0		
121-128	786- 6- 0	28-6-33	778- 6- 0	8- 0-0		
148-159	1,937-11- 6	5- 7-33	1674- 8- 6	263- 3-0		
160,162-166	42- 0- 3	6- 7-33	24- 10- 3	17- 6-0		
173 dt 10-7-33	29- 7- 6	15-7-33	963- 11- 0	69- 7-0		
181-191	1,003-10- 6					
203 dt 21-7-33	53- 8- 0	24-7-33	38- 8- 0	15- 0-0		
224-238	352- 0- 0	9-8-33	327- 0- 0	25- 0-0		
242-248	163-14- 0	14-8-33	448- 14- 0		285- 0- 0	
252-259	513- 8- 0	18-8-33	773- 8- 0		260- 0- 0	
265-273	133-14- 6	28-8-33	123-14- 6	10- 0-0		
295-314	283-10- 9	13-9-33	333-10- 9		50- 0- 0	
		Total		764- 8-0	764- 8- 0	Bal.Nil

Annexure "A" - Continued 11

315-322	643- 5- 9	18-9-33	633- 5- 9	10- 0- 0	
323-332	1,908- 2- 0	22-9-33	1,788- 2- 0	120- 0- 0	
333-347	3,111- 8- 0	5-10-33	2,891- 8- 0	220- 0- 0	
362-372	2,104-13- 0	16-10-33	1,604-13- 0	500- 0- 0	
		14-12-33	400- 0- 0		400-0-0
649-664	1,559- 0- 4	12- 3-34	1,555- 2-10	3-13- 6	
			Total Rs	853-13- 6	400-0-0

Net short remittance to end of June 1934		(A) -453-13-6
1254-6, 1261 & 1263	54- 0- 0 @ 31-12-34 - 54- 0- 0	@ Entered in Remittance Book but not borne out by Try acknowledgment.
1265-1280	85- 3- 5 9-1-35 45-15- 5 39- 4- 0	
1342-5, 1347-50, 1352-4	68- 4- 0 11-2-35 4-11- 0 63- 9- 0	
1444 12.3.35	56- 0- 0	56- 0- 0
1458 dt 20-3-35	794- 0- 0 25-3-35 44- 0- 0	750- 0- 0
Short remittance during 1934-35		962-13- 0 - (B) -962-13-0
Total net short remittance to end of June 1935 (A&B)		(C) -1,416-10-6
1956 dt 26-11-35	190- 0- 0 - 100- 0-0	90- 0- 0 -
2047 & 2048 9.1.36.	129- 0- 0 - -	129- 0- 0 -
Short remittance from July 35 to end of May 1936		219- 0- 0 - (D) -219- 0-0
Total net short remittance to end of May 1936 ((C+D)		(E) -1,635-10-6

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Annexure "A" continued

II. Cheques drawn and cashed but not brought on Cash Book

(a) Aug.1934 Cheque No.2/87 dated 9-8-34 for Rs 500/- drawn in favour of the Industrial Engineer Well Boring Section and cashed by him on 10-8-34 not brought on cash book (This amount of Rs500/- is not receipted in W.B.Section Cash Book also.) 17 15 and ... 500- 0- 0

(b) Sept.1935 Cheques Nos.54/104 & 59/104 dated 26th Sept. 1935 for Rs 300 and Rs 200 respectively drawn for office cash and cashed on 20th and 26th Sept.1935 not brought on cash Book ... 500-0-0

Less Rs 100 brought on cash book on 25-9-35 as 'cheque drawn for Office Cash' in support of which no cheque is drawn and cashed 100-0-0

Net amount not brought on cash book 400- 0- 0

(c) April 1936 Cheque No.35 dated 6-4-36 for Rs 150/- drawn for office cash and cashed on the same date not brought on cash book 150-0-0

Less Rs 100 brought on cash book, under entries dated 4-4-36, as cheque drawn for office cash ... 100-0-0

Net amount not brought on cash book ... 50- 0- 0

Total net amount of cheques and cash not brought on cash book 950- 0- 0

III. - Other serious irregularities in the cash Book:-

(1) Cheques No.5/104 dated 5-8-35 for Rs 250/- and No.40/104 dated 29-8-35 ~~and 29-8-35~~ for Rs 150/- both cashed on the dates they were drawn are not receipted in the cash books on the above dates, but there is and entry corresponding to the total amount of these two cheques viz., Rs 400/-, on 30-8-35 as 'Cheque drawn for Office Cash.'

(2) A sum of Rs 594/- is charged in the cash book on 30-8-35 as paid by Remittance Transfer Receipt to the Mysore Iron Works while the receipt No.4730 dated 24-9-35 granted by the Works shows that the R.T.R. is dated 23-9-35 (R.T.R.No.74/1340 of State Huzur Treasury on Tarikere Taluk Treasury). It is seen from the Treasury Books that the amount was presented to the State Huzur Treasury only on the 23rd Sept.1935.

Asst.Comptroller

CV

ANNEXURE - B

Cheques drawn towards the refund of Rs 3,000/- deposited by the Well Boring Section with Central Industrial Workshop on 2nd July 1934.

Cheque No. & date	Amount	Date of entry in C.I.W.cash Book.	Date of encashment by the Indl.Engineer W.B. Section.	Date of entry in W.B.Sectn Cash Book
(a) 72/81 dated 5-7-34	500/-	31- 7-34 @	5- 7-34	5- 7-34
(b) 92/81 dated 12-7-34	500/-	12- 7-34	12- 7-34	3- 8-34
(c) 2/87 dated 9-8-34	500/-	Not taken to acct.	10- 8-34	@ -
(d) 33/87 dated 30-8-34	500/-	30- 8-34	31- 8-34	30- 8-34
(e) 70/87 dated 24-9-34	500/-	25- 9-34	1-11-34	5-12-34
(f) 37/90 dated 26-11-34	500/-	27-11-34	31-12-34	@ -
(g) 79/90 dated 31-12-34	500/-	31-12-34	3-1-35 (by transfer)	31-12-34
Total Rs	3,500	against Rs 3,000 deposited by Well Boring Section.		

Note - 1 @ - There has been a delay of 26 days in accounting for cheque No.72/81 dated 5-7-34 in C.I.W. Cash Book

Note - 2 @ - Only a sum of Rs 500 is receipted in the Well Boring Section Cash book on 25-3-35 as cash received from the Superintendent, Central Industrial Workshop being the suspense balance with him as per letter dated 25-3-35 as against two cheques Nos.2/87 and 37/90 for Rs 500/- each drawn on 9-8-34 and 26-11-34 and cashed on 10-8-34 and 31-12-34 respectively. Of these two cheques, cheque No.2/87 dated 9-8-34 for Rs 500/- is not brought on C.I.W.Cash Book.

Note - 3 - Cheques Nos.70/87 and 37/90 dated 24-9-34 and 26-11-34 have been cashed long after they were drawn viz., on 1-11-34 and 31-12-34 respectively.

Asst Engr.

ANNEXURE - "C"

June 1934

Particulars	2 As worked out in the C.I.W books.	3 As separately worked out and as it ought to be.
(a) Opening Treasury balance as per Factory Books	7,629- 2- 6	
(b) Add Remittances of the month	19,440- 6- 8	
	27,069- 9- 2	
(c) Deduct amount of cheques drawn during the month	12,989- 5-10	
(d) Closing Treasury balance as per Factory Books	14,080- 3- 4	14,080- 3- 4
⊗ (e) Less Remittances of June made in July	556- 8- 9	102-11- 3
	13,523-10- 7	13,977- 8- 1
(f) Less Remittances of bank cheques not taken to Treasury Pass Book	45- 0- 0	45- 0- 0
	13,478-10- 7	13,932- 8- 1
(g) Add uncashed cheques	1,791- 6- 0	1,791- 6- 0
	15,270- 0- 7	15,723-14- 1
(h) Add Treasury balance raised in Comptroller's No.148/IAD dated	5- 3- 7	5- 3- 7
	15,275- 4- 2	15,729- 1- 8
(i) Balance as per Treasury Pass book	15,275- 4- 2	15,275- 4- 2
(j) Difference	Nil	453-13- 6

Note - The difference of Rs 453-13-6 (Vide J in column 3) which agrees with the amount of net short ~~miscellaneous~~ remittances to end of 30-6-34 (vide Statement I-A of Annexure "A") is included in Rs 556-8-9 shown as remittances of June made in July in col.2 against (e)

⊗ This heading is taken from C.I.W Books and is intended to mean 'Receipts in June recorded in the Treasury in July'

June 1935

15

June 1935

Particulars	As worked out in C.I.W. books.	As separately worked out and as it should be
(a) Opening Treasury balance as per Factory Books	10,246-10- 1	
(b) Add remittances of the month	16,602-11- 5	
	26,849- 5- 6	
(c) Deduct amount of cheques drawn during the months	14,036-10- 7	
(d) Closing Treasury balance as per Factory Books	12,812-10-11	12,812-10-11
(e) Less remittances of June made in July	1,929- 8- 6	12-14- 0
	10,883- 2- 5	12,799-12-11
(f) Less remittances of Bank cheques not taken to Treasury Pass Book	4,227- 5- 3	4,227- 5- 3
	6,655-13- 2	8,572- 7- 8
(g) Add uncashed cheques	1,557- 7- 8	1,557- 7- 8
	8,213- 4-10	10,129-15- 4
(h) Balance as per Treasury Pass Book	8,213- 4-10	8,213- 4-10
(i) Difference	Nil	1,916-10- 6

Note 1 - The figures shown in column 2 against items (e) and (g) viz., Rs 1,929-8-6 and 1,557-7-8, have been altered by over-writing the original entries as reported to Comptroller in the monthly cash account current being Rs 1,429-8-6 and 1,057-7-8 respectively.
The details of uncashed cheques as noted in the C.I.Workshop Cash abstract work up to the altered figure

2. The difference of Rs 1,916-10-6 in column 3 against item (i) which is the total amount unaccounted for to end of 30-6-1935 (Vide Annexure A Statement I C and Statement II (a) is included in Rs 1929-8-6 shown in Column 2 against item (e) as remittance of June made in July

3 - There is a bogus Treasury chellan for Rs 1,929-8-6 attached in the Treasury Remittance Book in the folio containing entries dated 27th and 28th June 1935, which amount exactly corresponds with the figure shown in Col.2 against item(e) Vide also Para III (4) of the Note.

Particulars	As worked out in the C.I.W. Books	As separately worked out and as it ought to be
(a) Opening Treasury balance as per Factory Books	8,043- 6- 1	
(b) Add remittances of the month	9,446-12- 4	
	17,490- 2- 5	
(c) Deduct amount of cheques drawn during the month	11,963- 3- 3	
(d) Closing Treasury balance as per Factory Books	5,526-15- 2	5,526-15- 2
(e) Less remittances of May made in June	3,787- 4- 6	1,201-10- 0
(f) Less remittances of bank cheques not taken to Treasury Pass Book	1,739-10- 8	4,325- 5- 2
	967-13- 0	967-13- 0
(g) Add uncashed cheques	771-13- 8 1,299- 1- 0 15- 7- 9	3,357- 8- 2 1,314- 8- 9
	2,086- 6- 5	4,672- 0-11
(h) Balance as per Treasury Pass Book	2,086- 6- 5	2,086- 6- 5
(i) Difference	Nil	2,585-10- 6

Note - The difference of Rs 2,585-10-6 shown in column 3 against item (i) which represents the total amount unaccounted for to end of 31-5-36 (vide Annexure "A" Statements I and II) is included in Rs 3,787-4-6 shown in Column 2 against item (e) as remittances of May made in June.

Asst. Comptroller

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

17.

F.I.R. No.

Comptroller's Office, Bangalore, Camp, Mysore.

No. Spl./20 Dated the 26th October 1936

FINANCIAL BR 1478 29 OCT. 1936

S. Shamanna, Esq., B.A.,
Financial Secretary to the Govt of Mysore,
Camp, Mysore.

Sir,

With reference to your reminder No.Fl.2355 dated 2nd October 1936, regarding Irregularities noticed in the accounts of the Central Industrial Workshop, I have the honor to refer to letter No.60 dated 30th July 1936 addressed to the Secretary to Government, Development Department by the Director of Industries and Commerce in Mysore, in the matter of furnishing a report, and to state that a final report will be sent to Government after the case pending in the Criminal Courts is over.

I have the honor to be,
Sir,
your most obedient servant,

Comptroller.

Subject for perusal.

30.10.36 31/10

msk

Appendix F G—1]

SUBJECT 1.d

.....

.....

Section

File No.

Serial No.

Diary No. of letter replied to.....

No. 7E 4877

To

The Comptroller & Auditor General

Sir,

General and Revenue Secretariat

( )

the *193* .

I am directed to invite reference to your ad-interim report no: Spl/20 Dt 26.10.36 re: irregularities noticed in the accounts of the Central Industrial Workshop and to request you to be so good as to expedite your final report in the matter if the case pending in the court is over.

I have &c.,

Date of issue 28/1/37

Signed by Mr K. Venkata Rao.

for Financial Secretary

List of enclosures.....

Copied by 28/1/37

Examined by.....

WD 03601—GPB—30,000—23-9-35

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

In reply please quote reference to No. 1016/ES

2828
5 FEB.

FINANCIAL SECRETARY

19

COMPTROLLER'S OFFICE, BANGALORE,

Dated the 3rd February *193* 7.

Rajaseva Nipuna
S. Shamanna Esq., B.A.,
Financial Secretary to the Government of Mysore,
Bangalore.

Sir,

With reference to your letter No.4877 dated 25th/28th January 1937, regarding irregularities in the accounts of the Central Industrial Workshop, I have the honor to state that the proceedings of the case have been completed and a copy of the judgment delivered by the Court has also been since obtained. The final report on the subject will be sent to you very early.

I have the honor to be,
Sir,
Your most obedient servant,
A. S. Raghavachar
Comptroller

CV

31/3/37

Confidential

FINANCIAL BRANCH
7K4223
4 MAY 1937
GENL. & REVENUE SECTT.

In reply please quote reference
No. 1483

E.S

C.7 492-36-2

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT
OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

Bangalore, dated ~~10th~~ 22nd April 30th *1937*.

FINANCE
No. Seen by Secy

FROM

A. N. RAGHAVACHAR, ESQ., M.A.,
Comptroller to the Government of
His Highness the Maharaja of Mysore,
Bangalore.

To

Rajasevanipuna
S. Shamanna, Esq., B.A.,
Financial Secretary to the Government
of Mysore,
Bangalore.

SIR,

In continuation of the correspondence resting with my D.O. letter No.61/I.A.D. dated 21st July 1936, regarding the defalcation in the Central Industrial Workshop, I have the honour to state that the Director of Industries and Commerce has already sent up to Government in the Development Department with his No.D2-60/36-37 dated 30th July 1936 a copy of the detailed notes on the investigation of the irregularities in the accounts of the Central Industrial Workshop. This and the report of special audit conducted by my Assistant Comptroller already sent to you with the D.O. letter of 21st July 1936 under advertance, explain the position at the end of 31st May 1936 in detail. A further sum of Rs.25-8-0 was defalcated on 30th June 1936 as reported by the Director in his letter No. D2.60/36-37 dated 31st July 1936. The proceedings of the case launched in this connection in the Court of the City Magistrate, Bangalore against the cashier of the Central Industrial Workshop in respect of a single instance of a short remittance of Rs.750/- have also since concluded and the cashier has been sentenced to undergo rigorous imprisonment for six months and to pay a fine of Rs.850/- and, in default of payment of this fine, to undergo rigorous imprisonment for six more months. A copy of the judgment obtained from the Director of Industries and Commerce is sent herewith for the information of Government.

2. Kind reference is invited to item 4 on page 4 of the note

on the irregularities in the accounts, sent to you in No.61/I.A.D. dated 21st July 1936. In the Treasury Remittance book at end of June 1935, a Treasury chellan drawn up on 4th July 1935 by the cashier for Rs.1,929-8-6 as being on account of cheque No.D.274925 (date not mentioned), on the Bank of Mysore, is filed. The receipt of such a cheque is not borne out by eitner a cash receipt (counter-foil) or a receipt entry in the cash Book. The treasury acknowledgment portion of another challan for Rs.94-5-9 (cheques) remitted to the treasury on the same date has been cut out from the latter and pasted to the former. The cashier has explained in his written statement dated 15th July 1936 given to the Superintendent, Central Industrial Workshop, that his object in doing this was to cover the amount of Rs.1,929-8-6 shown as remittances of June 1935 taken in July 1935. Why no cognisance was taken of this most important item is not understood.

3. The net amount defalcated to end of 30th June 1936 was Rs.2,611-2-6 (i.e., Rs.2,585-10-6 plus Rs.25-8-0). Of this, a sum of Rs.950/- was paid by the cashier on 12th July 1936, leaving a balance of Rs.1,661-2-6. The Director, who had already been requested to take further action regarding the recovery of this amount, has since sent in a bill for Rs.370-10-0 for refund of the Provident Fund at the credit of the Cashier and proposed to adjust the refund, in part satisfaction of the balance of the defalcated amount. The bill which was received on 27th March 1937 has, after audit, been accordingly adjusted and the Director requested to intimate recovery of the balance of Rs.1,290-8-6 still due.

4. I have very carefully examined the case. The continuous misappropriation was not due to any defect in the system of accounting but to lack of sufficient internal check and effective supervision in the Workshop itself. The note of the Director on the discrepancies in these transactions supports my conclusions and he has also fixed the responsibility for the misappropriations on the Accountants mainly and partly on the Superintendent, Central Industrial Workshop. While delivering judgment on the case launched, the Magistrate has also observed as hereunder:-

"In support of the prosecution story he has prepared Ex.P.37,

statement of short remittances made by the accused during the last 5 years. The evidence of the prosecution witnesses shows that the embezzlement of moneys by the accused could have been easily detected at any stage. I am surprised to find that they were not so detected for 5 years. If the remittance Register had been compared with the cash book every day by P.W.2 or P.W. 6 and initialled, there would have been little scope for the commission of this offence. I have not been able to understand how these misappropriations were not noticed during the annual audit of the accounts in 1934 and 1935 by the auditors of the Comptroller's office."

5. Coming to the responsibility of audit for the non-detection of these irregularities during the course of Local audit, I enclose herewith a copy of the note drawn up by Mr. V.S. Subba Rao, Assistant Comptroller, who conducted the special investigation in the matter. It will be seen therefrom that the non-detection of these irregularities was due to the omission of certain primary but necessary routine processes of audit. A copy of the explanation of the Senior auditor ~~in original~~ together with the remarks of the Assistant Comptroller in charge of the audit of Industrial concerns and my orders thereon, is submitted herewith for the information of Government.

6. I am in full concurrence with the views of the Assistant Comptroller, Industrial Audit Department. Audit of the accounts of Industrial concerns involves a complete check of the cash book, The Senior auditor, Mr. Abdul Quadir, B.A., LL.B., G.D.A., who possesses commercial qualifications and who has audited the Cash Book throughout the period has however failed to conduct the primary checks. I may also mention that the fraud was detected in the course of local audit only after this auditor was changed on his transfer to the Sugar Company. Mr. Quadir passed the S.A.S. examination last year and pending assessment of his lapses in audit work, he has been allowed only an acting place against the place reserved for him in the 2nd grade of Superintendents - Vide G.O.No.Fl.3305/ G.F.10-36-25 dated 22nd/26th November 1936. Prior to this, however, his work has been found uniformly satisfactory and his character and conduct have also been very good. In view of this special

factor.

factor, I recommend that his confirmation in the 2nd Grade of Superintendents be postponed by one year as a disciplinary measure.

I have the honour to be,
Sir,
Your most obedient servant.

COMPTROLLER.

In the Court of the City Magistrate, Bangalore.

Dated the 30th day of October 1936.

Present. G.N.Nagaraja Rao, Esq., M.Sc.,
City Magistrate, Bangalore.

Criminal Case Number 168/36-37.

Complaint		Accused
Government	Vs	V.C.S.Murthi.

OFFENCE UNDER SEC.409.I.P.C.

JUDGMENT.

1. In this case, the accused V.C.S.Murthy the former Cashier of the Government Central Industrial Workshop,Bangalore City has been prosecuted under Section 409 of the I.P.C.by the Police Inspector of 'B' Division,Bangalore City on the ground that he committed Criminal Breach of Trust in respect of Rs 750/- out of Rs 794 entrusted to him on 21-3-1935 in his capacity of a public servant. The case for the prosecution is to the following effect.

2.The accused who was formerly the Stores Clerk of the Mysore Government Industrial Workshop was on 7-11-1930 appointed as the Cashier of the Central Industrial Workshop. He did not at first furnish the required security and in 1932 he furnished the required security. Till he furnished the required security the Assistant Superintendent of the Central Industrial Workshop used to check every day the cash with him. After he furnished the security, the accused was in entire charge of the cash of the Workshop. The duties of the Cashier are defined in Ex.P.ii(a) the Work Distribution memo approved by the Superintendent,Central Industrial Workshop. Ex.P.ii the work distribution memo was drawn up in 1930 and in it in Ex.P.ii(a) a note is made to the effect that the Assistant Superintendent of the Workshop should be practically in charge of the cash till the accused was confirmed as Cashier and till he furnished the security. Ex.P.ii(a) interalia lays down that the Cashier had to write the Cash Book and show the correct balance at the close of the days' transaction write receipts for moneys received from sundry debtors, be in char

charge of the receipt books, remit moneys to Treasury by enter -ing it in the Remittance Book after the challan is signed by the Accountant, write cash abstract book by the fifth of every month and send monthly reconciliation statement to the Director's Office within the 10th after checking the Cash Abstract with the Treasury Pass Book. As per practice, all the moneys received from Sundry Debtors had to be remitted to the Treasury as early as - - possible, as the appropriation of the departmental receipts towards departmental expediture is prohibited by the Mysore Civil Account Code.

3. The Government Porcelain Factory placed ~~exx~~ some orders with the Central Industrial Workshop. These orders were executed and on 17-11-1934 bill Ex.P.13 was sent for payment of Rs 110/- to Central Industrial Workshop towards the cost of the work executed. Again the Government Porcelain Factory placed an order with the Central Industrial Workshop for supply of 12 throw wheels. The wheels were supplied and on 31-12-1934 a bill for Rs 684/- was sent to the Government Porcelain Factory for payment of the charges. This bill is Ex.P.14. Ex.P.12 and its office copy are signed by P.W.2 Mr.Appadoral Mudaliar, Superintendent, Central Industrial Workshop. Ex.P.14 and its office copy are signed by P.W.6 Mr.K.N.G. Dhwajan, Assistant Superintendent of the Central Industrial Workshop. As per practice, in the sundry debtors book EX.P.15 on pages 361 and 365, note has been made that the bills EX.P.14 and P.15 have been sent to Porcelain Factory for payment. The Manager of the Government Porcelain Factory in due course, sent the money to the Central Industrial Workshop on 21-3-1936. P.W.3 Mr.~~Rixx~~ Sripadraj Accountant, Government Porcelain Factory made the neccesary entries in the Cash Book EX.P.22(a) of 21-3-1935 and sent Rs 794/- due on account of EX.P.13 and 14 with the Peon P.W.4 Munisawmi of the Porcelain Factory. P.W.4 was given the Muddam Tappal Book to obtain acknowledgment from the Central Industrial Workshop for having received the money. P.W.4 on 21-3-1935 as per practice took Rs 794/- to the accused who was the Cahsier and the accused received the money and acknowledged the receipt of the money at Ex.P.~~18 and~~ 16 a and his initials. He later on wrote the receipt Ex P. 18 and

and got it signed by the Assistant Superintendent of the Central Industrial Workshop and gave the receipt to P.W.4. P.W.4 took back EX.P.18 and showed Ex.P.18 and P.16(a) to P.W.3. Ex.P.17(a) the counterfoil of Ex.P.18 is also written by the accused. On 21-3-1935, besides these amounts, a sum of Rs 1-8-0 as per counterfoil receipt Ex.P.1 (b) a sum of Rs 2-12-0 as per counterfoil receipt Ex.P.17(c) issued to Registrar, General and Revenue Secretariat, were received in cash. The debtors of the Central Industrial Workshop make payments also by cheque and by pass order, or by audited bills. On 21-3-1935, the Executive Engineer, Water Supply Division paid Rs 169-0-0 by means of a Pass Order as per Ex. P.17(d). On 22-3-1935 the Superintendent of Government of Printing Press, Bangalore, sent an audited bill for Rs 33-5-0 for arranging payment to Central Industrial Workshop as per Counterfoil receipt Ex.P.17 (d). As per practice the accused entered the receipt of these amounts in the Cash Book Ex.P.2 at Ex.P.2 (a) to (e). He has shown as per practice these amounts under the Treasury column meaning that the moneys etc., would be remitted to Treasury as early as possible. But the accused did not remit the money till 25-3-1935. On 25-3-1935 he wrote in the Treasury Remittance Book Ex.P.8 the details of the moneys that he wanted to remit and had the entry - - initialled by the Accountant P.W.5 Rangasawmi. As per entry Ex.P.8 (b) initialled by P.W.5 Rangaswami, ~~by P.W.5 Rangaswamy~~, the accused proposed to remit all the moneys relating to receipt No.1458 to 1462 totalling to Rs 1,000-9-0. After Rangasawmi initialled the book the accused struck off the item of Rs 794/- relating to receipt Ex.P.18/bearing number R 1458 and wrote '44' under his initials. He erased the total of Rs 1,000 and changed it to Rs'250', and initialled that also. The accused seems to have changed his mind again and wrote a new challan Ex.P.8(a) and remitted as per the challan Rs 250-9-0 to the State Huzur Treasury. Of

Of this amount Rs 48-4-0 was by cash and Rs 202-5-0 was by adjustment. The sum of Rs 48-4-0 remitted consisted of Rs 44/-. Out of Rs 794/- relating to Ex.P.18 and Rs 1-8-0 and Rs 2-12-0 relating to Ex.P.17 (b) and (c). The sum of Rs 202-5-0 paid by transfer related to pass order as per Ex.P.17 (d) Rs 33-5-0 to audited bill as per Ex.P.17 (e). The accused thus failed to remit Rs 750/- out of Rs 794/- received by him. Ex.P.8 (a) is not initialled by the Accountant Rangasawmi. The accused did not remit the balance of Rs 750/- at no time and misappropriated it.

4.The accused was according to prosecution story systematically embezzling moneys entrusted to him. As a part of the system, he used to make the necessary entries in the Cash book and make short remittances when remitting and misappropriated what was not remitted. Whenever misappropriation took place, he was not getting the Remittance Book initialled by the Accountant. In case the Accountant had initialled the entries he used to effect changes in the entries after the Accountant had intialled or after remitting the money to Treasury by means of challans, he would paste over the page of the remittance book which had already been initialled by the Accountant, the challan used by him to remit the money to Treasury. Sometimes the accused was in the habit of not entering in the remittance Register, certain amounts which in the usual course had to remitted to Treasury. For example on 12-3-1935, the accused received Rs 50/- from a customer of the Workshop and issued the receipt bearing number 1444 and made necessary entries in the Cash Book Ex.P.2. But he did not remit the money at all to the Treasury though by making entry in the - Treasury column in Ex.P.2, he decreased the cash balance on hand as per book entry. Similarly, again between 18-12-1934 and 24-12-34 accused received Rs 54/- in cash as per Cash Book entries Ex.P.2(g) and P.2(h) and Ex.P.2(h) and Ex.P2.(1) Ex.P.2(j) and entered these moneys in the Remittance Register Ex.P.8 at Ex.P.8 (e) on 31-12-34 and did not remit them. He hoodwinked the Accountant by pasting two challans for having remitted some other moneys. Similarly on 26-11-1935 as per Ex.P.3 (a) entry in the daily cash book, the accused received Rs [illegible] cash. On 28-11-1935, as per Ex.P.10

the treasury remittance register only Rs 100/- out of Rs 190/- was remitted to Treasury and the balance was not at all remitted. On 9-1-1936, similarly the accused received Rs 50/- and Rs 79/- and as per receipts Nos.2047 and 2048 and Ex.P2.(b) entry in the cash book. But these amounts have not been remitted to the Treasury till now. On 30-8-1935, the accused made in the account Ex.P.3 (c) that he had remitted Rs 594/- by means of a remittance transfer receipt to Bhadravathi Iron Works. But he had not done so. On 23-9-1935, the Accountant Rangasawmi of the Workshop noticed that the accused had no voucher to show that he had taken an R.T.R. and remitted the money. He brought to the notice of the Superintendent P.W.2 Mr.B.G.Appadorai Mudaliar this fact at about 12 noon. By the time P.W.2 called for the explanation of the accused, the accused promptly obtained an R.T.R. and remitted the money. P.W.2 passed a memo strictly warning the accused and the memo was left with the accused.

5.In July 1936, when the Auditors of the Comptroller's Office were doing the annual audit of the accounts of the Central Industrial Workshop, they noticed that this discrepancy about the remittance of Rs 594/- by R.T.R. Accountant Rangasawmy told P.W.2 that the Auditors had noticed this discrepancy. As it is the practice to give during the audit explanations in discrepancies, P.W.2 asked the Accountant to produce the Office Memo he had passed. Both the accused and Accountant said it was missing. So P.W.2 felt suspicious about the conduct of the accused and asked the Accountant to scrutinise the accounts carefully once more. He also made a report about the matter to the Director of Industries. Director of Industries on 10-7-1936 fined the accused Rs 10/-. On 10-7-1936 the accused stopped away from office without applying for leave. Accused inspite of Office Memos had not prepared reconciliation statements reconciling the office accounts with the Treasury Pass Book. P.W.5 went through the reconciliation Statements Ex.P.24(a) and foundthat the accused had to account for Rs 950/-. Ex.P.24(a) is the account for May 1936. P.W.5 noticed further discrepancies in the accounts of 11-4-1936. He brought

brought these facts to the notice of P.W.2 on 11-7-1936. P.W.5 sent word to accused to come and explain. But the accused did not come. On 12-7-1936, the accused came to the Office of the Superintendent and in the presence of the Superintendent and the Commercial Accountant confessed to the misappropriation of various amounts besides Rs 950/- noticed by P.W.5 in respects of cheques. The accused paid up Rs 950/- then and there. On the same day, the accused opened the iron safe with the keys in his possession and counted out Rs659-11-3 which tallied with the cash balance in the Cash Book. The accused gave a letter of apology also to P.W.2 and it is marked as Ex.P.21. The Assistant Comptroller Mr.Subba Rao was apprised of these facts and he carefully audited the accounts and found that the accused had misappropriated in all Rs 2,585-10-6. On 15-7-1936, P.W.2 complained to the Police as Ex.P.18.

6.12 Witnesses have been examined in support of the prosecution case. P.W.1 Mr.Subba Rao is the Assistant Comptroller who audited the accounts and found that Rs 750/- pertaining to this Charge Sheet was misappropriated, He has deposed that this amount and other amounts about which he has deposed have not been remitted to Treasury till now. The cash balance on 12-7-1936 as verified by P.W.2 shows that the money in question is not in the Cash Chest of the Central Industrial Workshop. Hence the accused has misappropriated the money. P.W.2 Mr.Appadorai has deposed to the facts which led to the filing of the present complaint. He has supported in full the prosecution story and spoken about the duties of the accused. He states that the accused was in sole charge of the cash and that he was attending to the duties as mentioned in the work distribution memo. He has in his deposition proved the various documents of his office which have been exhibited in this case. P.W.3 Mr.Sripada Raj has deposed to the fact that he sent Rs 794/- to accused through P.W.4 Munisawmi and obtained acknowledgment. P.W.4 Muniswami has deposed that he paid Rs 794/- to accused. P.W.5 Rangaswami, Accountant of the Central Industrial Workshop has corroborated P.W.2 and the prosecution story. P.W.6 Mr.Dwajan the Assistant Superintendent of Central Industrial Workshop has been examined to prove that he signed Ex.P.14

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14, Ex.P.18, Ex.P.26, 27,29 and 26 (a) and 27 (b) and that he has initialled Ex.P.23 (a) to (c). P.W.7 Mr.Narayanasawmy,Clerk, of General and Revenue Secretariat produced receipt Nos.1459 and 1460. P.W.8 Gazette Clerk, Government Press,Bangalore has produced the cash book of the Government Press, ~~Bangalore, has produced the cash book of the Government Press~~ to show that on 22-3-35, Rs 33-5-0 was paid to Central Industrial Workshop by means of an audited bill and that acknowledgment of Central Industrial Workshop was obtained in the Cash Book Ex.P.28.. P.W.9 Lakshmipathy, Bill Clerk, Executive Engineer, has dosposed that Central Industrial Workshop sent the bills Ex.P.30 and 30 (a) and 30 (b) for payment and that Rs 169/- due on these bills was paid by a pass order dated 18-3-1935 and that the Central Industrial Workshop sent the receipt Ex.P.31 to them. P.W.10 Mr.Jeevanna Rao, Accountant,State Huzur Treasury has ~~xxxx~~ deposed that on 25-3-1935, only Rs ~~48-4-0~~ in cash and Rs 202-5-0 by transfer was remitted to Treasury as per Treasury accounts maintained by him. P.W.11, Mr. S.K.Seshadri Iyengar, Treasuer of State Huzur Treasury has - - corroborated him. P.W.12 Mr.Bastagir, Police Inspector 'A' Division has spoken to the investigation done by him after receiving EX.P.14. In support of the prosecution story ~~has~~ he has prepared Ex.P.37 a statement of short Remittances made by the accused during the last 3 years. The evidence of the P.Ws shows that the embezzlement of moneys by the accused could have been easily detected at any stage. I am surprised to find that they were not so detected for three years If the Remittance Register had been compared with the Cash Book every day by P.W.2 or P.W.6 and initialled, there would have been little scope for the commission of this offence. I have not been able to understand how these misappropriations were not noticed during the annual audit of the accounts in 1934 and 1935 by the Auditors of the Comptroller's Office.

7.The accused in his statement before me, has expressed his utmost contrition and admitted that he has embezzled Rs 750/- as set forth by the P.Ws and the prosecution story. He states ~~that~~ it is his desire to make good the amount and that as he is

is not in service he cannot raise any money to make good what he has embezzled. The accused has been charged with having committed an offence punishable under Section 409 of the I.P.C. and he has pleaded guilty to the charge. I gave him some time to make good the money he has embezzled. But he states now that he could not raise the money. I hear, he has to make good about Rs 800/- now. Out of the moneys he has embezzled. He is sincerely sorry for what he has done.

. . 9.There is no doubt whatever that the accused is a public servant as his duty is to receive moneys from the public on behalf of Government and as he is paid by Government for the performance of his public duties. Though the accused has been guilty of a very serious offence, I am inclined to view his delinquency as leniently as the circumstances of the case will permit. The evidence of the witnesses clearly shows that the accused as a public servant did not remit Rs 750/- out of Rs 794/- entrusted to him in his capacity as a public servant. P.W.1 states that till the date of his examination this money has not been made good. The evidence of the P.Ws together with the plea of the accused establishes the guilt of the accused. Hence I find him, the accused, guilty of the offence punishable under Section 409 of the I.P.C. Convicting the accused V,C.S.Murthy of the offence punishable under Section 409 of the I.P.C. I sentence him to undergo rigorous imprisonment for six months and to pay a fine of Rs 850/- and in default of payment of fine to undergo rigorous imprisonment for 6 months more.

In Open Court.

Sd/-G.N.Nagaraja Rao,
City Magistrate, 30-10-36

'Copy'
By Order
Sd/-K.Venkata Rao,
Head Clerk,
City Magistrate's Court,
Bangalore.

'Copy'

For Director. 28/11

APPENDIX.

37

The following witnesses were examined for prosecution

P.W.1. Mr.V.S.Subba Rao.

2. Mr.B.G.Appadorai Mudaliar.

3. Mr.C.K.Sripadraj

4. Munisawmy

5. Mr.P.Rangaswami

6. Mr.K.M.G.Dhwajan.

7. Mr.K.N.Narayanswamy

8. M.Venkatappa

9. Mr.M.D.Lashmipathy

10. Mr.S.Jeevan Rao.

11. Mr.S.K.Seshadri Iyengar.

12. Mr.Mohamad Dastigir.

Note regarding the non-detection of the irregularities now noticed in the cash accounts of the Central Industrial Workshop, during the local audit of the accounts of the concern for the respective periods.

1	2	3
Note.	Further notes by discussions by the Asst. Comptroller, I.A.D. on Complete Orders in column 3	Orders of the Comptroller.
As detailed in my confidential note dated 20-7-1936, the irregularities have occurred during the period between March 1933 and April 1936. Of the above period, the audit of the accounts for the quarters ending September 1935 is going on, and the accounts for the subsequent period from 1st October 1935 have yet to be audited. In respect of the period from March 1933 to June 1935, local audit has been conducted 6 times for periods detailed below:-		
Period. — Reference to report. 1. H.Y. ended 9/33 — No.817-9/I.A.D. d.9-5-34. 2. Year ended 6/34 — No.395-7/IAD. d.24-11-34. 3. Quarter ended 9/34 — No.973-4/IAD. d.29-5-35. 4. Quarter ended 12/34 — No.28,30, 31 I.A.D. dated 10/11-7-35. 5. Quarter ended 3/35 — No. 6. Quarter ended 6/35 and final accounts for the year ended 6/35 — No.953-5/IAD d.27-6-36.		
Memoranda attached to my confidential note dated 20-7-36 shows (i) that there are a number of cases of short and excess remittances during the period between March 33 and March 35 and (ii) that cheque No.2/87 dated 9-8-34 for Rs.500/- drawn in favour of the Industrial Engineer, Well Boring Section and cashed by him has not been brought on the cash book. The above irregularities should have been noticed by the auditor during his detailed audit of the cash book of the concern. It is now seen that he has not checked the receipts shown under Treasury column in the cash book with the Treasury remittance book nor has he checked the drawings from the Treasury with the counterfoils of the cheques.	ON. This is seen to have been done prior to June 1933. Sd/- V.S.S.	Certainly. Sd/- A.N.R.

These

These checks form part of the primary mechanical routine audit of the cash book and has not been attended to by the auditor, but the treasury balance as worked out in the cash book at end of every month has been accepted by him in audit, without conducting this primary verification. This omission has been the cause for the non-detection of the irregularities during the local audit of the accounts of the concern for the periods concerned.

Please obtain the explanation of our Auditor for this laxity and omission.

The explanation of Mr. Quadir is obtained and submitted.

Sd/- V.S.S.

Further, the auditor, does not appear to have verified the amounts shown under 'receipts of the month remitted to Treasury in the subsequent month', in the Treasury balance reconciliation statements drawn up in the Cash Abstract Book every month, with reference to the individual items of receipts of the month actually remitted in the following month. Had this verification been made, the manipulation of the figures under this head as detailed in Annexure C. - June 34 and June 35 - would have been noticed during the course of audit.

Most extraordinary! Obtain explanation of Mr. Quadir and the others for this omission

Sd/- A.N.R.

Obtained & put up.

Sd/- V.S.S.

The auditors who audited the accounts of the above periods are:-

1. Mr Abdul Quadir, Senior Auditor in charge of the Head Quarter Commercial Audit Group. — Throughout the period to end of June 35.
2. Mr. B.Venkatarama Iyer, Junior Auditor. — To end of March 35.
3. Mr. S.M. Narayanaswamy, Junior Auditor. — From April 35 to June 35.

Is there any definite distribution of duty and work which should be done by Junior and Senior Auditors

Sd/- A.N.R

There is no O.O. The work to be done by the Junior is fixed up by the Senior Auditor in charge. The Audit of Industrial concerns is a detailed audit including complete audit of cash book.

Sd/- V.S.S.

The Cash Book has been audited throughout the period by the Senior Auditor Mr. Abdul Quadir. It is shocking to find how, that the auditor (of Mr. Quadir's qualifications) in commercial accounts omitted to do the primary routine verification referred to above.

Sd/- V.S.S.
22-4-36

B. I am of the same opinion. A man who has been highly spoken by Mr. Iyer and held himself in high esteem has signally failed.

This shows that the G.O. in charge should not place implicit faith in audit work of even senior men but satisfy himself by a test check of work done to see whether prescri[illegible]

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prescribed checks in regard to details and totals have also been carried.

'A' Subd. A.N.R. 24/36

'A' The system is, that the Senior auditor in charge of each group puts up the Balance sheets etc., duly audited and verified by him with drafts of audit notes and audit reports. Except in the matter of routine mechanical audit, which is not reviewed by me, each and every point (major or minor) noticed by the auditors, is thoroughly examined by me with the connected records and further investigated wherever necessary and discussed with the officers concerned, in addition to reviewing the general points such as, loss on work orders, accumulation of stock, adequate depreciation, stock verification results, stock valuation, (Financial irregularities, old debts, etc.). The Balance sheet as audited and verified by the auditors is also verified by me with the general ledger balances, checked in detail and passed by the auditors in audit.

The instructions of Comptroller at 'A' are noted. How far a test check of routine work done for months and supervised by our own senior qualified men is practicable within the limited time at the disposal of the G.O. and to what extent it should be done are points for consideration. I shall do this test-check as ordered, as far as possible. But, I beg to submit, whatever test-check the G.O. may do or may be required to do, it should not, in any way, reduce in the least, the entire responsibility of the auditors for any omission or negligence in the matter of detailed mechanical routine audit.

Yes.

Quite true. Test check is supplementary.

Subd A.N.R. 28/8/36

'B' Submitted. The explanation of the auditor is put up.

Subd V.S.S. 4/8/36

36 Mandya. 24.7.36.

Explanation of Mr. Abdul Quadir, Senior Commercial Auditor, I.A.D.

Mandya.
27th July 1936.

Explanation.

I humbly beg to submit that for the period under question, I did not check the Receipts shown in the Treasury column of the Cash Book with the Remittance Book nor the drawings from the Treasury with the counterfoils of the cheques believing that the monthly Treasury Reconciliation statements received in our office were being checked by Mr. B. Venkatrama Iyer, who was posting the Broadsheets, and also preparing the Review of Balances. When the Treasury Balance is reconciled with the Cash Balance at the Treasury in the Concern's account (at least once a year during the time of Review of Balances), I thought it would not be worthwhile to check the details of remittance to and from the Treasury.

This is wrong. V.S.S.

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There is no Office Order defining the distribution of work between the Senior and the Junior Auditors, but I believe there is some ~~accounts~~ Asst. Comptr order that the Broad sheets have to be maintained by Mr. B. Venkataram Iyer. Whatever it may be, we both are responsible for the omission.

Further, I beg to state that though I have not exercised (under some misapprehension) this simple check of Treasury Cash account, yet I humbly beg to bring to the kind consideration of the Comptroller, the audit work done by me of the several Government Industrial concerns for the past 5 years.

Remarks by the Assistant Comptroller.

I cannot understand this explanation. The figures shown in the monthly Treasury reconciliation statement under unremitted sale proceeds (and uncashed cheques) can only be verified in local audit with reference to the Treasury Remittance book, the counterfoil of cheque book and the Treasury Bass Book.

The posting of the Broad sheet or the preparation of the Review of Balances will not enable the above check being exercised.

The audit of the Industrial concerns being a detailed audit, the non-checking of the receipts shown in the Treasury column of the Cash Book, and of the drawings with the counterfoil of the cheque Book, which is a part of primary routine audit, is a grave omission.

Vide IR remittance register

Dated. V.S.S.

The Senior auditor fixes the work to be done by his assistants.
Broadsheets have to be maintained in the Central office, (I.A.D.). But this does not, in any way justify the omission to check the remittances and drawings in detail while checking the cash book. Vide remarks above.

Dated V.S.S.

For information and orders.

Dated. V.S.S.

He has no doubt done good work.

Dated V.S.S.

Orders of the Comptroller.

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A kind perusal of the Audit Reports of the C.I. Workshop, Industrial depot, etc., will reveal whether I have done any real audit work at all.

In conclusion, I humbly beg to pray that I may kindly be excused this time and I promise that I would be very careful in future.

Sd. Md. Abdul Quadir

For orders.

Sd/- V.S.S

I am really sorry that Mr. Quadir should have failed in this routine matter.

Sd/- A.N.R

'Copy'

T. Anandarao
Superintendent
I.A.D.